

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2016**

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2016  
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**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**

**LIST OF OFFICIALS**

**June 30, 2016**

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**Board of Education (After September 2015 Election)**

		Term Expires
Tim Gesink	President	2019
Lori Zomermaand	Vice President	2017
Jerod Work	Board Member	2017
Dale Kraayenbrink	Board Member	2017
Scott Te Stroete	Board Member	2019

**School Officials**

Patrick O'Donnell	Superintendent	2017
Ardith Lein	District Secretary	2017
Dani Gradert	District Treasurer	2017



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## INDEPENDENT AUDITORS' REPORT

To the Board of Education of  
Sioux Center Community School District  
Sioux Center, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sioux Center Community School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sioux Center Community School District as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension liability information and the schedule of funding progress for the retiree health plan on pages 5 through 14 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2015 (which are not presented herein) and expressed an unmodified opinion. The financial statements for the six years ended June 30, 2012, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated February 16, 2017, on our consideration of the Sioux Center Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sioux Center Community School District's internal control over financial reporting and compliance.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
February 16, 2017

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Sioux Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,059,777 in fiscal 2015 to \$13,231,160 in fiscal 2016, while General Fund expenditures increased from \$12,295,683 in fiscal 2015 to \$12,997,538 in fiscal 2016. The District's General Fund balance increased from \$1,595,747 in fiscal 2015 to \$1,829,369 in fiscal 2016.
- The fiscal year 2016 increase in General Fund revenues was attributable to increases in state and local revenue. Federal revenue decreased from \$439,089 in fiscal year 2015 to \$396,636 in fiscal year 2016 mainly due to a decrease in Medicaid funding. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The general fund increase was largely due to expenditures being lower in comparison to revenue.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Sioux Center Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Sioux Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The fiduciary statements provide financial information about activities for which the Sioux Center Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan, Schedule of the District's Share of the Net Pension Liability and Schedule of the District Contributions to IPERS.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Sioux Center Community School District Annual Financial Report**

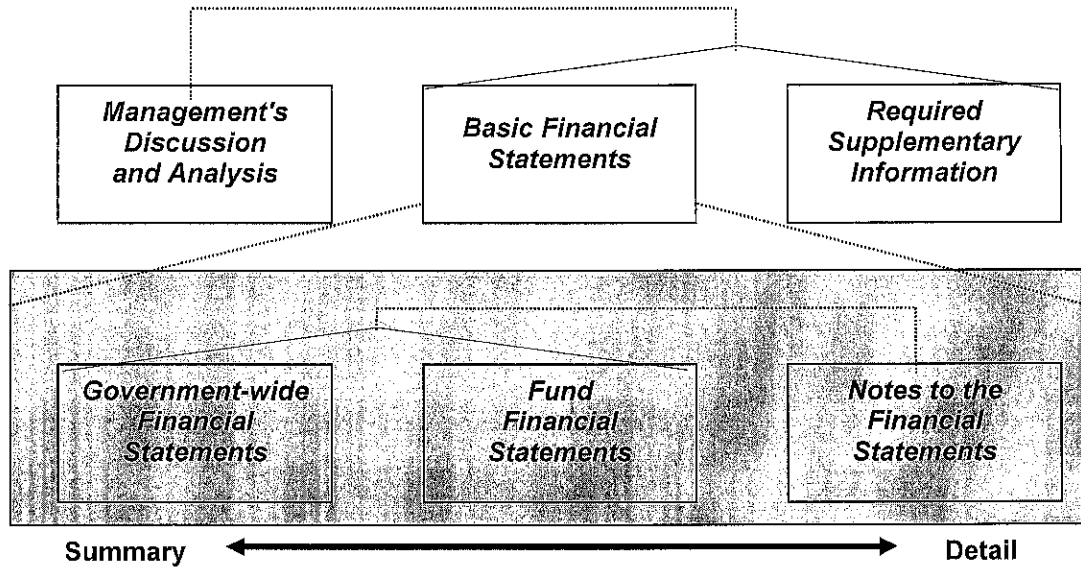




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-Wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, is the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Community Education Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-3

	Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2015	2016	2015	2016	2015	2016	2015-2016
Current and other assets	\$ 11,038,564	\$ 12,668,502	\$ 111,128	\$ 132,447	\$ 11,149,692	\$ 12,800,979	14.71%
Capital assets	26,500,874	25,960,965	26,303	64,941	26,527,177	26,025,906	(1.89)%
Total assets	37,539,438	38,629,467	137,431	197,418	37,676,869	38,826,885	3.02%
Deferred Outflows of Resources	939,677	1,928,725	20,723	41,197	960,400	1,969,922	105.11%
Long-term liabilities	23,305,820	23,547,851	92,339	117,800	23,398,159	23,665,651	1.14%
Other liabilities	1,817,402	1,844,615	9,295	8,382	1,826,697	1,852,997	1.44%
Total liabilities	25,123,222	25,392,466	101,634	126,182	25,224,856	25,518,648	1.16%
Deferred Inflows of Resources	7,646,853	8,074,932	35,215	27,429	7,682,068	8,102,361	5.47%
Net Position:							
Net Investment in Capital Assets	7,440,631	7,830,855	26,303	64,941	7,466,934	7,895,796	5.74%
Restricted	1,343,958	1,997,346	-	-	1,343,958	1,997,346	48.62%
Unrestricted	(3,075,549)	(2,737,407)	(4,998)	20,063	(3,080,547)	(2,717,344)	11.79%
TOTAL NET POSITION	\$ 5,709,040	\$ 7,090,794	\$ 21,305	\$ 85,004	\$ 5,730,345	\$ 7,175,798	25.22%

The District's combined total net position increased by 25.22%, or \$1,445,453 over the prior year. The largest portion of the District's net position is the net investment in capital assets (e.g., land, infrastructure, buildings and equipment, less the related debt). The debt related to the investment in capital assets is liquidated with sources other than capital assets. The majority of this increase was due to positive results at the fund level and retirement of debt.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$653,388 or 48.62% over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$363,203 or 11.79%. This increase in unrestricted net position was primarily a result of the increased state funding in the general fund and effects of change in the net pension liability and related deferred items.

Figure A-4 shows the change in net position for the years ended June 30, 2016 and 2015.

Figure A-4

	Change in Net Position						Percentage Change 2015-2016
	Governmental Activities		Business-type Activities		Total School District		
	2015	2016	2015	2016	2015	2016	
Revenues							
Program Revenues:							
Charges for services	\$ 839,879	\$ 1,005,976	\$ 312,400	\$ 327,646	\$ 1,152,279	\$ 1,333,622	15.74%
Operating grants & contributions	2,385,144	2,463,690	293,610	295,222	2,678,754	2,758,912	2.99%
Capital grants & contributions	10,770	22,261	3,077	-	13,847	22,261	60.76%
General Revenues:							
Property taxes	6,266,303	6,649,677	-	-	6,266,303	6,649,677	6.12%
Statewide Sales , Service, and Use Tax	1,054,337	1,087,912	-	-	1,054,337	1,087,912	3.18%
Unrestricted state grants	5,007,194	5,411,296	-	-	5,007,194	5,411,296	8.07%
Unrestricted investment earnings	17,408	12,195	214	285	17,622	12,480	(29.18)%
Other revenue	93,765	110,958	-	-	93,765	110,958	18.34%
<b>Total Revenues</b>	<b>15,674,800</b>	<b>16,763,965</b>	<b>609,301</b>	<b>623,153</b>	<b>16,284,101</b>	<b>17,387,118</b>	<b>6.77%</b>
Expenses:							
Instruction	9,546,384	10,410,615	-	-	9,546,384	10,410,615	9.05%
Support services	3,470,625	3,478,613	-	-	3,470,625	3,478,613	.23%
Non-instructional programs	-	-	554,543	559,454	554,543	559,454	.89%
Other expenditures	2,523,423	1,492,983	-	-	2,523,423	1,492,983	(40.84)%
<b>Total expenses</b>	<b>15,540,432</b>	<b>15,382,211</b>	<b>554,543</b>	<b>559,454</b>	<b>16,094,975</b>	<b>15,941,665</b>	<b>(.95)%</b>
 <b>CHANGE IN NET POSITION</b>	 <b>134,368</b>	 <b>1,381,754</b>	 <b>54,758</b>	 <b>63,699</b>	 <b>189,126</b>	 <b>1,445,453</b>	 <b>664.28%</b>
Net Position beginning of year	10,755,733	5,709,040	80,808	21,305	10,836,541	5,730,345	(47.12)%
Prior Period Adjustment	(5,181,061)	-	(114,261)	-	(5,295,322)	-	-
Net Position beginning of year as restated	5,574,672	-	(33,453)	-	5,541,219	-	-
Net position end of year	\$ 5,709,040	\$ 7,090,794	\$ 21,305	\$ 85,004	\$ 5,730,345	\$ 7,175,798	25.22%

In fiscal year 2016 property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 6.77% increase in revenues and a (.95)% decrease in expenses. Unrestricted state grants increased by \$404,102. The decrease in expense is due to a decrease in uncapitalized facilities and acquisition costs and a decrease in interest expense.

## Governmental Activities

Revenues for governmental activities were \$16,763,965 and expenses were \$15,382,211.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2015	2016	Percent Change 2015-2016	2015	2016	Percent Change 2015-2016
Instruction	\$ 9,546,384	\$ 10,410,615	9.05%	\$7,168,992	\$ 7,781,555	8.54%
Support Services	3,470,625	3,478,613	.23%	3,152,393	3,183,336	.98%
Other Expenses	2,523,423	1,492,983	(40.84)%	1,983,254	925,393	(53.34)%
<b>TOTAL</b>	<b>\$15,540,432</b>	<b>\$15,382,211</b>	<b>(1.02)%</b>	<b>\$12,304,639</b>	<b>\$11,890,284</b>	<b>(3.37)%</b>

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$1,005,976. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,485,951.
- The net cost of governmental activities was financed with \$7,737,589 in property and local other taxes and \$5,411,296 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$623,153 and expenses were \$559,454. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2016, the District increased meal prices. This increase resulted in increased revenue to the School Nutrition Fund to offset the increasing cost of purchased food.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Sioux Center Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,655,556, above last year's ending fund balances of \$2,808,574. Aside from the School and Preschool Project fund balance (31), all governmental funds balances increased, resulting in a healthy combined fund balance.

## Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants, also in student count, resulted in an increase in revenues. The District was able to keep expenditures lower than revenues by \$233,622. The District had an increase of 53 students.
- Capital projects are continuously being completed in the District, resulting in a decrease in the School and Preschool Project Fund (31) from \$384,241 in 2015 to \$251,518 in 2016.
- The Management Fund balance increased from \$158,526 to \$199,578 in fiscal 2016.

- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$258,808 to \$389,084 in fiscal 2016. While revenues increased by \$23,000, the District's expenditures decreased by \$136,963.
- The Statewide Sales, Services and Use Tax Fund balance increased from \$132,140 to \$654,419 in fiscal 2016. Revenues increased by \$36,785, while expenditures decreased by \$826,581.
- The Debt Service Fund Balance increased from \$85,132 at the end of fiscal year 2015 to \$125,935 at the end of fiscal year 2016.

### **Proprietary Fund Highlights**

School Nutrition Fund net position increased from \$20,937 at June 30, 2015 to \$84,736 at June 30, 2016, due to an increase in cash and equipment, also from the difference of reporting net pension liabilities. For fiscal 2016 the District increased meal prices.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$108,967 more than budgeted receipts. The most significant variance resulted from the District receiving more in local tax sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Total budgeted expenditures exceeded actual expenditures by \$1,339,561 in 2016.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2016, the District had invested approximately \$25.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$826,092.

Figure A-6

	Capital Assets (net of depreciation)						Percentage Change
	Governmental Activities		Business type Activities		Total School District		
	2015	2016	2015	2016	2015	2016	
Land	\$ 281,178	\$ 281,178	\$ -	\$ -	\$ 281,178	\$ 281,178	-
Construction in progress	-	46,435	-	-	-	46,435	-
Buildings	25,175,449	24,550,512	-	-	25,175,449	24,550,512	(2.48)%
Improvements	177,552	178,524	-	-	177,552	178,524	.55%
Equipment & furniture	866,695	904,316	26,303	64,941	892,998	969,257	8.54%
TOTAL	\$26,500,874	\$25,960,965	\$26,303	\$64,941	\$26,527,177	\$26,025,906	(1.89)%

### Long-Term Debt

At June 30, 2016 the District had \$18,040,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 4.88% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 8 to the financial statements.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$38,101,280.

Figure A-7

### Outstanding Long-Term Obligations

	Total School District		Percentage Change 2015-2016
	2015	2016	
General obligation bonds	\$ 18,215,000	\$ 17,530,000	(3.76)%
Unamortized bond premium	95,243	90,110	(5.39)%
Net Pension Liability	4,187,053	5,459,382	30.39%
Capital loan notes	750,000	510,000	(32)%
Compensated absences	27,195	29,973	10.22%
Net OPEB Liability	31,329	46,186	47.42%
	<b>\$ 23,305,820</b>	<b>\$ 23,665,651</b>	<b>1.54%</b>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- School financing is highly dependent upon student enrollment. The District's October 2016 enrollment increased by 50 students. This increase in enrollment will increase the District's expenditures and spending authority for fiscal year 2017.
- The District has evaluated the facility needs to ensure the buildings are modified and up to date for the efficient operation for years to come. The District will use a combination of resources from the Physical Plant and Equipment Levy Fund and Capital Projects funds to finance improvements.
- The District negotiated a 4.27% settlement in salaries and benefits for the 2017 school year. The district will negotiate a new agreement during fiscal 2017 for fiscal year 2018. If the settlement is in excess of "new money" or allowable growth in state funding, it will have an adverse effect on the District's General Fund budget and related fund balance.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dani Gradert, District Treasurer and Business Manager, Sioux Center Community School District, 550 9<sup>th</sup> Street NE, Sioux Center, Iowa, 51250.



**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,519,847	\$ 120,436	\$ 4,640,283
Receivables:			
Property Tax	32,291	-	32,291
Succeeding Year Property Tax	6,831,166	-	6,831,166
Income Surtax	446,954	-	446,954
Due from Other Governments	578,558	373	578,931
Restricted Assets:			
Cash and Cash Equivalents	259,686	-	259,686
Land	281,178	-	281,178
Construction in Progress	46,435	-	46,435
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	25,633,352	64,941	25,698,293
<b>Total Assets</b>	<b>38,629,467</b>	<b>197,418</b>	<b>38,826,885</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Deferred Outflows	1,928,725	41,197	1,969,922
<b>LIABILITIES</b>			
Accounts Payable	515,096	793	515,889
Salaries and Benefits Payable	1,217,969	-	1,217,969
Accrued Interest Payable	111,550	-	111,550
Unearned Revenue	-	7,589	7,589
Noncurrent Liabilities:			
Due Within One Year:			
General Obligation Bonds	710,133	-	710,133
Capital Loan Notes Payable	250,000	-	250,000
Compensated Absences	12,888	-	12,888
Due in More Than One Year:			
General Obligation Bonds	16,909,977	-	16,909,977
Capital Loan Notes Payable	260,000	-	260,000
Compensated Absences	17,085	-	17,085
Net Pension Liability	5,341,582	117,800	5,459,382
Net OPEB Liability	46,186	-	46,186
<b>Total Liabilities</b>	<b>25,392,466</b>	<b>126,182</b>	<b>25,518,648</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue-			
Subsequent Year Property Taxes	6,831,166	-	6,831,166
Pension Related Deferred Inflows	1,243,766	27,429	1,271,195
<b>Total Deferred Inflows of Resources</b>	<b>8,074,932</b>	<b>27,429</b>	<b>8,102,361</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	7,830,855	64,941	7,895,796
Restricted for:			
Categorical Funding	282,709	-	282,709
Management Levy	199,578	-	199,578
School Infrastructure	905,937	-	905,937
Physical Plant and Equipment	389,084	-	389,084
Debt Service	14,385	-	14,385
Other Special Revenue Purposes	205,653	-	205,653
Unrestricted (Deficit)	(2,737,407)	20,063	(2,717,344)
<b>Total Net Position</b>	<b>\$ 7,090,794</b>	<b>\$ 85,004</b>	<b>\$ 7,175,798</b>

See Accompanying Notes to Financial Statements

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 6,523,712	\$ 428,462	\$ 1,118,569	\$ -
Special Instruction	2,720,925	227,359	481,427	-
Other Instruction	1,165,978	325,500	47,743	-
Support Services:				
Student Services	282,787	-	-	-
Instructional Staff Services	684,521	-	108,743	22,261
Administration Services	971,538	-	-	-
Operation and Maintenance	1,018,389	24,655	-	-
Transportation Services	521,378	-	139,618	-
Other Expenditures:				
Facilities Acquisition and Construction Services	213,932	-	-	-
Long-term Debt Interest	711,461	-	-	-
AEA Flowthrough	567,590	-	567,590	-
Total governmental activities	<u>15,382,211</u>	<u>1,005,976</u>	<u>2,463,690</u>	<u>22,261</u>
<b>Business Type Activity:</b>				
Non-instructional Programs:				
Food Service Operations	<u>559,454</u>	<u>327,646</u>	<u>295,222</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 15,941,665</u>	<u>\$ 1,333,622</u>	<u>\$ 2,758,912</u>	<u>\$ 22,261</u>
<b>General Revenues:</b>				
Property Tax Levied For:				
General Purposes				
Debt Service				
Capital Outlay				
Statewide sales, service and use tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Miscellaneous				
Total general revenues				
Change in net position				
Net Position - beginning				
Net Position - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (4,976,681)		\$ (4,976,681)
(2,012,139)		(2,012,139)
(792,735)		(792,735)
(282,787)		(282,787)
(553,517)		(553,517)
(971,538)		(971,538)
(993,734)		(993,734)
(381,760)		(381,760)
(213,932)		(213,932)
(711,461)		(711,461)
-		-
<u>(11,890,284)</u>		<u>(11,890,284)</u>
	\$ 63,414	63,414
<u>(11,890,284)</u>	<u>63,414</u>	<u>(11,826,870)</u>
4,712,011	-	4,712,011
1,299,833	-	1,299,833
637,833	-	637,833
1,087,912	-	1,087,912
5,411,296	-	5,411,296
12,195	285	12,480
110,958	-	110,958
<u>13,272,038</u>	<u>285</u>	<u>13,272,323</u>
1,381,754	63,699	1,445,453
5,709,040	21,305	5,730,345
<u>\$ 7,090,794</u>	<u>\$ 85,004</u>	<u>\$ 7,175,798</u>

See Accompanying Notes to Financial Statements

**SIoux CENTER COMMUNITY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	General	Debt Service
<b>Assets</b>		
Cash and Pooled Investments	\$ 3,025,753	\$ 120,228
Receivables:		
Property Tax	22,830	5,707
Succeeding Year Property Tax	4,609,791	1,361,355
Income Surtax	446,954	-
Due from Other Governments	399,753	-
Restricted Assets:		
Cash and Pooled Investments	-	-
Total Assets	<u>8,505,081</u>	<u>1,487,290</u>
<b>Liabilities</b>		
Accounts Payable	399,237	-
Salaries and Benefits Payable	1,217,969	-
Total Liabilities	<u>1,617,206</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue -		
Subsequent Year Property Taxes	4,609,791	1,361,355
Delinquent Property Tax	1,761	-
Income Surtax	446,954	-
Total Deferred Inflow of Resources	<u>5,058,506</u>	<u>1,361,355</u>
<b>Fund Balances</b>		
Restricted for:		
Categorical Funding	282,709	-
Debt Service	-	125,935
Management Levy Purposes	-	-
Student Activities	-	-
School Infrastructure	-	-
Physical Plant and Equipment	-	-
Assigned:		
Donations	76,126	-
Unassigned	1,470,534	-
Total Fund Balances	<u>1,829,369</u>	<u>125,935</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,505,081</u>	<u>\$ 1,487,290</u>

See Accompanying Notes to Financial Statements

<u>Capital Project</u>		
School & Preschool Project	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,373,866	\$ 4,519,847
-	3,754	32,291
-	860,020	6,831,166
-	-	446,954
-	178,805	578,558
259,686	-	259,686
259,686	2,416,445	12,668,502
8,168	107,691	515,096
-	-	1,217,969
8,168	107,691	1,733,065
-	860,020	6,831,166
-	-	1,761
-	-	446,954
	860,020	7,279,881
-	-	282,709
-	-	125,935
-	199,578	199,578
-	205,653	205,653
251,518	654,419	905,937
-	389,084	389,084
-	-	76,126
-	-	1,470,534
251,518	1,448,734	3,655,556
\$ 259,686	\$ 2,416,445	\$ 12,668,502

See Accompanying Notes to Financial Statements

**SIoux CENTER COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 19)	\$ 3,655,556
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	25,960,965
Other long-term assets are not available to pay current year expenditures and, therefore, are reported as unavailable revenue in the funds.	448,715
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(111,550)
Accrued compensated absences not reported on the modified accrual basis.	(29,973)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred Outflows of Resources	1,928,725
Deferred Inflows of Resources	(1,243,766)
Long-term liabilities, including bonds payable, net pension liability and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(23,517,878)</u>
Total Net Position - Governmental Activities (page 15)	<u><u>\$ 7,090,794</u></u>

**SIoux CENTER COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Capital Project				
	General	Debt Service	School & Preschool Project	Other Governmental Funds	Total Governmental Funds
Revenue:					
Local Sources:					
Local Tax	\$ 4,584,138	\$ 1,262,075	\$ -	\$ 1,887,552	\$ 7,733,765
Tuition	625,354	-	-	-	625,354
Other	204,232	1,143	23,262	348,096	576,733
State Sources	7,420,800	37,758	-	25,381	7,483,939
Federal Sources	396,636	-	-	-	396,636
Total Revenue	13,231,160	1,300,976	23,262	2,261,029	16,816,427
Expenditures:					
Governmental Activities:					
Instruction:					
Regular Instruction	6,012,236	-	-	175,713	6,187,949
Special Instruction	2,759,061	-	-	-	2,759,061
Other Instruction	709,871	-	-	328,268	1,038,139
Support Services:					
Student Services	267,925	-	-	-	267,925
Instructional Staff Services	476,942	-	-	241,278	718,220
Administration Services	976,697	-	-	-	976,697
Operation and Maintenance	804,684	-	-	98,381	903,065
Transportation Services	422,532	-	-	111,745	534,277
Other Expenditures:					
Facilities Acquisition and Construction	-	-	110,304	237,534	347,838
Long-term Debt:					
Principal	-	925,000	-	-	925,000
Interest and Fiscal Charges	-	697,983	45,681	-	743,664
AEA Flowthrough	567,590	-	-	-	567,590
Total Expenditures	12,997,538	1,622,983	155,985	1,192,939	15,969,445
Excess (Deficiency) of Revenues Over Expenditures	233,622	(322,007)	(132,723)	1,068,090	846,982
Other Financing Sources (Uses):					
Transfers In	-	362,810	-	-	362,810
Transfers Out	-	-	-	(362,810)	(362,810)
Total Other Financing Sources (Uses)	-	362,810	-	(362,810)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	233,622	40,803	(132,723)	705,280	846,982
Fund Balances - Beginning of Year	1,595,747	85,132	384,241	743,454	2,808,574
Fund Balances - End of Year	\$ 1,829,369	\$ 125,935	\$ 251,518	\$ 1,448,734	\$ 3,655,556

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21)	\$	846,982
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	\$ 281,427		
Depreciation expense	<u>(816,414)</u>		(534,987)

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of capital assets. This is the effect on the change in net position on the statement of activities.

(4,922)

Governmental funds report the effect of bond premiums when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.

Amortization of Bond Premium	<u>5,133</u>		5,133
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(52,462)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Pension expense	187,575		
Other postemployment benefits	(14,857)		
Compensated Absences	<u>(2,778)</u>		169,940

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

27,070

Proceeds from the issuance of long-term liabilities provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal paid		<u>925,000</u>
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Change in net position of governmental activities (page 17)

\$ 1,381,754



**SIOUX CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016**

	<b>Business Type Activities</b>		
	<b>School Nutrition Fund</b>	<b>Nonmajor Fund Community Education</b>	<b>Total Proprietary Funds</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Pooled Investments	\$ 120,167	\$ 269	\$ 120,436
Accounts Receivable	373	-	373
Inventories	11,668	-	11,668
Total Current Assets	<u>132,208</u>	<u>269</u>	<u>132,477</u>
<b>Noncurrent Assets:</b>			
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	64,941	-	64,941
Total Noncurrent Assets	<u>64,941</u>	<u>-</u>	<u>64,941</u>
Total Assets	<u>197,149</u>	<u>269</u>	<u>197,418</u>
<b>Deferred Outflows of Resources</b>			
Pension Related Deferred Outflows	<u>41,197</u>	<u>-</u>	<u>41,197</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	792	1	793
Unearned Revenue	7,589	-	7,589
Total Current Liabilities	<u>8,381</u>	<u>1</u>	<u>8,382</u>
<b>Noncurrent Liabilities</b>			
Net Pension Liability	117,800	-	117,800
Total Noncurrent Liabilities	<u>117,800</u>	<u>-</u>	<u>117,800</u>
Total Liabilities	<u>126,181</u>	<u>1</u>	<u>126,182</u>
<b>Deferred Inflows of Resources</b>			
Pension Related Deferred Inflows	<u>27,429</u>	<u>-</u>	<u>27,429</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	64,941	-	64,941
Unrestricted	19,795	268	20,063
Total Net Position	<u>\$ 84,736</u>	<u>\$ 268</u>	<u>\$ 85,004</u>

See Accompanying Notes to Financial Statements

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Business Type Activities</b>		
	<b>School Nutrition Fund</b>	<b>Nonmajor Community Education</b>	<b>Total Proprietary Funds</b>
Operating Revenues:			
Charges for services	\$ 327,646	\$ -	\$ 327,646
Total Operating Revenue	327,646	-	327,646
Operating Expenses:			
Food Service Operations:			
Salaries	176,220	-	176,220
Benefits	32,359	-	32,359
Purchased Services	-	100	100
Supplies	341,097	-	341,097
Depreciation	9,678	-	9,678
Total Operating Expenses	559,354	100	559,454
Operating (Loss)	(231,708)	(100)	(231,808)
Non-Operating Revenues (Expenses):			
Interest Income	285	-	285
State Lunch Reimbursements	4,929	-	4,929
National School Lunch Program	252,015	-	252,015
Federal Food Commodities Received	38,409	-	38,409
Loss on Disposal of Capital Assets	(131)	-	(131)
Total Non-Operating Revenues	295,507	-	295,507
Income Before Transfers	63,799	(100)	63,699
Other Financing Sources:			
Capital Contributions	-	-	-
Total Other Financing Sources	-	-	-
Change in net position	63,799	(100)	63,699
Net Position - Beginning of Year	20,937	368	21,305
Net Position - End of Year	\$ 84,736	\$ 268	\$ 85,004

See Accompanying Notes to Financial Statements

SIOUX CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Business Type Activities		Total Proprietary Funds
	School Nutrition Fund	Nonmajor Fund Community Education	
<b>Cash flows from operating activities:</b>			
Cash received from sale of lunches and breakfasts	\$ 325,567	\$ -	\$ 325,567
Cash payments for salaries and benefits	(211,378)	-	(211,378)
Cash payments for goods and services	(297,134)	(99)	(297,233)
<b>Total cash (used) by operating activities</b>	<b>(182,945)</b>	<b>(99)</b>	<b>(183,044)</b>
<b>Cash flows from non-capital financing activities:</b>			
Federal and state appropriations received	256,944	-	256,944
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	(48,447)	-	(48,447)
<b>Cash flows from investing activities:</b>			
Interest on investments	285		285
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>25,837</b>	<b>(99)</b>	<b>25,738</b>
Cash and cash equivalents - beginning of year	94,330	368	94,698
Cash and cash equivalents - end of year	<u>\$ 120,167</u>	<u>\$ 269</u>	<u>\$ 120,436</u>
<b>Reconciliation of operating (loss) to net cash used in operating activities:</b>			
Operating (loss)	\$ (231,708)	\$ (100)	\$ (231,808)
Adjustments to reconcile net operating loss to net cash (used) by operating activities:			
Depreciation Expense	9,678	-	9,678
Commodities Used	38,409		38,409
(Increase) decrease in assets and increase (decrease) in liabilities:			
Accounts Receivable	(373)	-	(373)
Inventory	4,762	-	4,762
Accounts Payable	792	1	793
Unearned Revenue	(1,706)	-	(1,706)
Net Pension Liability	25,461	-	25,461
Deferred Outflows of Resources	(20,474)	-	(20,474)
Deferred Inflows of Resources	(7,786)	-	(7,786)
<b>Net cash (used) in operating activities</b>	<b>\$ (182,945)</b>	<b>\$ (99)</b>	<b>\$ (183,044)</b>
<b>Supplemental schedule of noncash investing, capital, and related financing activities:</b>			
Federal food commodities received	<u>\$ 38,409</u>	<u>\$ -</u>	<u>\$ 38,409</u>

See Accompanying Notes to Financial Statements

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2016**

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	<b>Private Purpose Trust Scholarship</b>
Assets:	
Cash and Cash Equivalents	\$ 18,128
Total Assets	<u>18,128</u>
Net Position:	
Reserved for scholarships	<u>\$ 18,128</u>

See Accompanying Notes to Financial Statements

SIOUX CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 11,856
Interest income	19
Total additions	<u>11,875</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>2,000</u>
Change in net position	9,875
Net position beginning of year	<u>8,253</u>
Net position end of year	<u><u>\$ 18,128</u></u>

**SIoux CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Sioux Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sioux Center, Iowa and a large part of the agricultural community in Sioux County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Sioux Center Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sioux Center Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Net positions are reported in the following categories:

*Net Investment in capital assets*, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The School & Preschool Project Fund is a capital project fund that accounts for the new preschool and other building improvements.

The District reports the following major proprietary fund:

The District's major proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operation of the District.

Additionally, the District reports the following fund types:

Fiduciary Funds – Fiduciary Funds focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

Private-Purpose Trust Fund - To account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

**C. Basis of Accounting/Measurement Focus**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

When an expense is incurred for government-wide activities, which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expense towards the most restricted net position and then to the less-restricted net position.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, Liabilities, and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

**Cash, Pooled Investments and Cash Equivalents** – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.



**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Due from Other Governments** – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**Property Tax Receivable** – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

**Inventories** – Inventory items are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Capital Assets** – Capital assets, which include property, furniture, and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following threshold and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	50,000
Improvements other than buildings	50,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	2,500

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 – 65
Improvements other than buildings	15 – 40
Intangibles	3 – 10
Furniture and equipment	5 – 7

**Salaries and Benefits Payable** – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**Deferred Outflow/Inflows of Resources** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District reported pension related deferred outflows in the government-wide statements. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become due.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has subsequent year property taxes, delinquent property taxes, and income surtax recorded in governmental funds as deferred inflow of resources. The governmental activities in the government-wide statements report unavailable revenues from subsequent year property taxes as well as pension related deferred inflows. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Long-Term Liabilities** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

**Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Fund Equity** – In the governmental fund financial statements, fund balances are classified as follows:

**Restricted** – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assigned** – Amounts the district intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

**Unassigned** – All amounts not included in other spendable classification.

**Restricted Net Position** – In the government-wide Statement of Net Position, net positions are reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures in the instruction area exceeded the budgeted amount.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**Custodial Credit Risk** – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less.

The district had no investments meeting the disclosure requirements of GASB No. 72

**NOTE 3 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$567,590 for the year ended June 30, 2016, and is recorded in the General Fund.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 4 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	\$ 362,810
Total		<u>\$ 362,810</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 281,178	\$ -	\$ -	\$ 281,178
Construction in Progress	-	46,435	-	46,435
Total capital assets not being depreciated	<u>281,178</u>	<u>46,435</u>	<u>-</u>	<u>327,613</u>
Capital assets being depreciated:				
Land Improvements	318,011	9,620	-	327,631
Buildings	29,867,427	11,490	-	29,878,917
Furniture and equipment	1,837,857	215,208	43,130	2,009,935
Total Capital assets being depreciated	<u>32,023,295</u>	<u>236,318</u>	<u>43,130</u>	<u>32,216,483</u>
Less: Accumulated Depreciation for:				
Land Improvements	140,459	8,648	-	149,107
Buildings	4,691,977	636,428	-	5,328,405
Furniture and equipment	971,163	171,338	36,882	1,105,619
Total Accumulated Depreciation	<u>5,803,689</u>	<u>816,414</u>	<u>36,882</u>	<u>6,583,131</u>
Total capital assets being depreciated, net	<u>26,219,606</u>	<u>(580,096)</u>	<u>6,248</u>	<u>25,633,352</u>
Governmental activities capital assets, net	<u>\$26,500,784</u>	<u>\$(533,661)</u>	<u>\$ 6,248</u>	<u>\$25,960,965</u>

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
<b>Business-type Activities:</b>				
Furniture and equipment	\$ 191,613	\$ 48,447	\$ 5,075	\$ 234,985
Less: Accumulated Depreciation	165,310	9,678	4,944	170,044
Business-type activities capital assets, net	<u>\$ 26,303</u>	<u>\$ 38,769</u>	<u>\$ 131</u>	<u>\$ 64,941</u>

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Regular Instruction	\$ 416,506
Special Instruction	193
Other Instruction	137,681
Student Support	18,584
Administration	8,703
Instructional Staff Services	3,487
Operation and Maintenance	126,544
Transportation Services	104,716
Total depreciation expense – governmental activities	<u>\$ 816,414</u>
Business-type activities:	
Food Service Operations	<u>\$ 9,678</u>

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-type Activities
Land	\$ 281,178	\$ -
Construction in Progress	46,435	-
Capital Assets (net of accumulated depreciation)	25,633,352	64,941
Less: General Obligation Bonds Payable	(17,620,110)	-
Capital Loan Notes Payable	(510,000)	-
Net Investment in Capital Assets	<u>\$7,830,855</u>	<u>\$ 64,941</u>

**NOTE 6 – PENSION PLAN**

*Plan description* – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**Pension Benefits**

A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 6 – PENSION PLAN (CONTINUED)**

The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**Disability and Death Benefits**

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

**Contributions**

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30 year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's total contributions to IPERS for the year ended June 30, 2016 were \$704,134.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 6 – PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported a liability of \$5,459,382 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's collective proportion was 0.1105030 percent, which was an increase of .002598 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$513,759. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 82,484	\$ -
Changes of assumptions	150,311	-
Net difference between projected and actual earnings on pension plan investments	816,832	1,271,195
Changes in proportion and differences between District contributions and proportionate share of contributions	216,161	-
District contributions subsequent to the measurement date	704,134	-
Total	<u>\$ 1,969,922</u>	<u>\$ 1,271,195</u>

\$704,134 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	
2017	\$ (98,364)
2018	(98,364)
2019	(98,364)
2020	276,008
2021	13,677
	<u>\$ (5,407)</u>

There were no non-employer contributing entities at IPERS.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 6 – PENSION PLAN (CONTINUED)**

*Actuarial assumptions* – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary Increases (effective June 30, 2010)	4.00 to 17 percent average, including inflation. Rates vary by membership group.
Long-term investment Rate of Return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, and including inflation
Wage Growth (effective June 30, 1990)	4.00 percent per annum, based on 3.00 percent inflation and 1.00 percent real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Generational Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Equity	24%	6.29%
Non US Equity	16	6.75
Private Equity	11	11.32
Real Estate	8	3.48
Core Plus Fixed Income	28	2.04
Credit Opportunities	5	3.63
TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

*Discount rate* – The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 6 – PENSION PLAN (CONTINUED)**

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.5 percent) than the current rate.

	<b>1% Decrease 6.5%</b>	<b>Discount Rate 7.5%</b>	<b>1% Increase 8.5%</b>
District's proportionate share of the net Pension liability	\$ 9,558,396	\$ 5,459,382	\$ 1,999,520

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Payables to the pension plan**

At June 30, 2016, the District reported no amounts remaining to be paid for wages paid through June 30, 2016 to the defined benefit pension plan.

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS**

*Plan Description.* The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 173 active and 1 retired members in the plan. Participants must be 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

*Funding Policy.* The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

*Annual OPEB Cost and NET OPEB Obligation.* The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 22,656
Interest on net OPEB obligation	1,253
Adjustment to annual required contribution	(1,812)
Annual OPEB cost (Expense)	22,097
Contributions made	(7,240)
Increase in net OPEB obligation	14,857
Net OPEB obligation – beginning of year	31,329
Net OPEB obligation – end of year	<u>\$ 46,186</u>

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are summarized as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2016	\$ 22,097	33%	\$ 46,186
2015	\$ 25,836	77%	\$ 31,329
2014	\$ 25,836	57%	\$ 25,380
2013	\$ 25,836	44%	\$ 14,373
2012	\$ 25,382	100%	\$ -

*Funded Status and Funding Progress.* As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$221,708, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$221,708. The covered payroll (annual payroll of the active employees covered by the plan) was approximately \$7,278,670 and the ratio of the UAAL to covered payroll was 3.0%. As of June 30, 2016, there were no trust fund assets.

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarial determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% interest discount rate based on the District's funding policy. The health care cost trend rate is 5.0%. Assumptions include a 3% growth in payroll per annum. An inflation rate of 3.0% is assumed for the purpose of this computation. Mortality rates are from the RP 2014 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook. The participation assumed is 25% for employees currently electing coverage. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 8 – LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2016 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 18,215,000	\$ -	\$ 685,000	\$ 17,530,000	\$ 705,000
Unamortized bond premium	95,243	-	5,133	90,110	5,133
Capital loan notes	750,000	-	240,000	510,000	250,000
Compensated absences	27,195	95,183	92,405	29,973	12,888
Net Pension Liability	4,187,053	1,272,329	-	5,459,382	-
Net OPEB Liability	31,329	14,857	-	46,186	-
	<u>\$ 23,305,820</u>	<u>\$ 1,382,369</u>	<u>\$ 1,022,538</u>	<u>\$ 23,665,651</u>	<u>\$ 973,021</u>

Capital Loan Notes

The District issued \$1,900,000 of capital loan notes during the year ended June 30, 2010. These notes and the interest will be paid from the physical plant and equipment property tax levy. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2017	3.00%	\$ 250,000	\$ 15,950	\$ 265,950
2018	3.25%	260,000	8,450	268,450
		<u>\$ 510,000</u>	<u>\$ 24,400</u>	<u>\$ 534,400</u>

During fiscal year 2016 \$262,310 of principal and interest were paid on the notes.

General Obligation Bonds

The Governmental General Obligation Bonds are shown net of the unamortized premiums of \$90,110 on the Statement of Net Position.

General Obligation Bonds	\$ 17,530,000
Unamortized Bond Premium	90,110
	<u>\$ 17,620,110</u>

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)**

Details of the District's June 30, 2016 general obligation bonded indebtedness are as follows:

<b>Bond Issue of May 1, 2009</b>				
<b>Year Ending June 30,</b>	<b>Interest Rates</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	4.0%	\$ 320,000	\$ 310,920	\$ 630,920
2018	4.0%	335,000	298,120	633,120
2019	4.0%	350,000	284,720	634,720
2020	4.0%	370,000	270,720	640,720
2021	4.0%	385,000	255,920	940,920
2022-2026	4.00-4.25%	3,260,000	948,617	4,208,617
2027-2029	4.25-4.45%	2,375,000	213,167	2,588,167
Total		<u>\$ 7,395,000</u>	<u>\$ 2,582,184</u>	<u>\$ 9,977,184</u>

<b>Bond Issue of September 1, 2010</b>				
<b>Year Ending June 30,</b>	<b>Interest Rates</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	2.15%	\$ 150,000	\$ 19,762	\$ 169,762
2018	2.40%	150,000	16,538	166,538
2019	2.55%	155,000	12,938	167,938
2020	2.70%	155,000	8,985	163,985
2021	3.00%	160,000	4,800	164,800
Total		<u>\$ 770,000</u>	<u>\$ 63,023</u>	<u>\$ 833,023</u>

<b>Bond Issue of December 18, 2013</b>				
<b>Year Ending June 30,</b>	<b>Interest Rates</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	2.00%	\$ 135,000	\$ 161,827	\$ 296,827
2018	3.00%	135,000	159,127	294,127
2019	3.00%	140,000	155,077	295,077
2020	3.00%	145,000	150,877	295,877
2021	3.00%	150,000	146,527	296,527
2022-2026	3.00%	675,000	670,687	1,345,687
2027-2031	3.00-4.00%	1,705,000	663,080	2,368,080
2032-2033	4.00%	1,380,000	164,597	1,544,597
Total		<u>\$ 4,465,000</u>	<u>\$ 2,271,799</u>	<u>\$ 6,736,799</u>

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)**

<b>Bond Issue of May 1, 2014</b>				
<b>Year Ending June 30,</b>	<b>Interest Rates</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	2.00%	\$ 100,000	\$ 160,842	\$ 260,842
2018	2.00%	100,000	158,842	258,842
2019	2.00%	100,000	156,842	256,842
2020	2.00%	100,000	154,842	254,842
2021	2.00%	100,000	152,842	252,842
2022-2026	2.00-2.60%	500,000	732,062	1,232,062
2027-2031	2.80-3.35%	1,395,000	676,807	2,071,807
2032-2034	3.45-3.75%	2,505,000	325,871	2,830,871
<b>Total</b>		<b>\$ 4,900,000</b>	<b>\$ 2,518,950</b>	<b>\$ 7,418,950</b>

**NOTE 9 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10 – CATEGORICAL FUNDING**

The District's restricted fund balance for categorical funding at June 30, 2016 is comprised of the following programs:

<b>Program</b>	
Limited English Proficient Project	\$ 154,223
Gifted and Talented Program	28,084
Market Factor Incentives	929
Nonpublic Textbook Aid	4,937
Returning Dropout and Dropout Prevention Program	21,402
Early Literacy Implementation	33,830
Teacher Leaders	3,481
Statewide Voluntary Preschool Program	17,616
Professional Development	547
Core Curriculum	17,660
	<u>\$ 282,709</u>

**NOTE 11 – SUBSEQUENT EVENTS**

On November 7, 2017, the board approved the sale of \$7,950,000 general obligation school refunding bonds, series 2016.

## REQUIRED SUPPLEMENTARY INFORMATION

**SIoux CENTER COMMUNITY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES -**  
**BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Budgeted Amounts</b>		<b>Governmental</b>	<b>Proprietary</b>	<b>Total</b>	<b>Final to</b>
	<b>Original</b>	<b>Final</b>	<b>Funds</b>	<b>Funds</b>	<b>Actual</b>	<b>Actual</b>
			<b>Actual</b>	<b>Actual</b>		<b>Variance</b>
<b>REVENUE:</b>						
Local Sources:						
Local Tax	\$ 6,594,462	\$ 6,594,462	\$ 7,733,765	\$ -	\$ 7,733,765	\$ 1,139,303
Tuition	525,000	525,000	625,354	-	625,354	100,354
Other	790,026	790,026	576,733	327,800	904,533	114,507
State Sources	8,726,125	8,726,125	7,483,939	4,929	7,488,868	(1,237,257)
Federal Sources	695,000	695,000	396,636	290,424	687,060	(7,940)
Total Revenue	17,330,613	17,330,613	16,816,427	623,153	17,439,580	108,967
<b>EXPENDITURES:</b>						
Current:						
Instruction	9,619,500	9,619,500	9,985,169	-	9,985,169	(365,669)
Support Services	4,554,000	4,554,000	3,400,184	-	3,400,184	1,153,816
Non-instructional Programs	600,000	600,000	-	559,454	559,454	40,546
Other Expenditures	3,094,960	3,094,960	2,584,092	-	2,584,092	510,868
Total Expenditures	17,868,460	17,868,460	15,969,445	559,454	16,528,899	1,339,561
Excess (Deficiency) of Revenues Over Expenditures	(537,847)	(537,847)	846,982	63,699	910,681	1,448,528
Other Financing Sources (Uses):						
Transfers In	362,810	362,810	362,810	-	362,810	-
Transfers Out	(362,810)	(362,810)	(362,810)	-	(362,810)	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	(537,847)	(537,847)	846,982	63,699	910,681	1,448,528
Fund Balances - Beginning of Year	2,829,879	2,829,879	2,808,574	21,305	2,829,879	-
Fund Balances - End of Year	\$ 2,292,032	\$ 2,292,032	\$ 3,655,556	\$ 85,004	\$ 3,740,560	\$ -

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2016**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the agency fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not by fund. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2016, expenditures in the instruction function exceeded the amount budgeted.



**SIOUX CENTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR\*  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

	2015	2016
District's proportion of the net pension liability	.1079045%	.1105030%
District's proportionate share of the net pension liability	\$ 4,279	\$ 5,459
District's covered-employee payroll	\$ 7,061	\$ 7,570
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	60.60%	72.11%
Plan fiduciary net position as a percentage of the total pension liability	87.61%	85.19%

\*The amounts presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN YEARS (IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 704	\$ 676	\$ 631	\$ 587	\$ 514
Contributions in relation to the statutorily required contribution	(704)	(676)	(631)	(587)	(514)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 7,885	\$ 7,570	\$ 7,061	\$ 6,769	\$ 6,379
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%

	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 439	\$ 405	\$ 384	\$ 353	\$ 311
Contributions in relation to the statutorily required contribution	(439)	(405)	(384)	(353)	(311)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 6,315	\$ 6,095	\$ 6,049	\$ 5,835	\$ 5,411
Contributions as a percentage of covered-employee payroll	6.95%	6.65%	6.35%	6.05%	5.75%

See accompanying independent auditors' report

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Changes of Benefit Terms:**

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

**Changes of Assumptions**

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information							
Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 260,911	\$ 260,911	0.00%	\$5,227,000	4.9%
2011	July 1, 2009	-	\$ 260,911	\$ 260,911	0.00%	\$5,227,000	4.9%
2012	July 1, 2009	-	\$ 260,911	\$ 260,911	0.00%	\$5,227,000	4.9%
2013	July 1, 2012	-	\$ 274,320	\$ 274,320	0.00%	\$5,359,000	5.1%
2014	July 1, 2012	-	\$ 274,320	\$ 274,320	0.00%	\$5,500,000	4.9%
2015	July 1, 2012	-	\$ 274,320	\$ 274,320	0.00%	\$5,924,000	4.6%
2016	July 1, 2015	-	\$ 221,708	\$ 221,708	0.00%	\$7,279,000	3.0%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## **OTHER SUPPLEMENTARY INFORMATION**

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<b>Special Revenue</b>	
	<b>Management Levy</b>	<b>Activity Fund</b>
<b>Assets</b>		
Cash and Pooled Investments	\$ 198,624	\$ 224,232
Receivables:		
Property Tax	954	-
Succeeding Year Property Tax	180,000	-
Due from Other Governments	-	-
Total Assets	<u>379,578</u>	<u>224,232</u>
<b>Liabilities</b>		
Accounts Payable	-	18,579
Total Liabilities	<u>-</u>	<u>18,579</u>
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue -		
Subsequent Year Property Taxes	180,000	-
Total Deferred Inflow of Resources	<u>180,000</u>	<u>-</u>
<b>Fund Balances:</b>		
Restricted for:		
Management Levy Purposes	199,578	-
Student Activities	-	205,653
School Infrastructure	-	-
Physical Plant and Equipment	-	-
Total Fund Balances	<u>199,578</u>	<u>205,653</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 379,578</u>	<u>\$ 224,232</u>

**Schedule 1**

<b>Capital Projects</b>		
<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total Governmental Funds</b>
\$ 539,208	\$ 411,802	\$ 1,373,866
-	2,800	3,754
-	680,020	860,020
178,805	-	178,805
718,013	1,094,622	2,416,445
63,594	25,518	107,691
63,594	25,518	107,691
-	680,020	860,020
-	680,020	860,020
-	-	199,578
-	-	205,653
654,419	-	654,419
-	389,084	389,084
654,419	389,084	1,448,734
\$ 718,013	\$ 1,094,622	\$ 2,416,445

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Special Revenue</b>	
	<b>Management Levy</b>	<b>Activity Fund</b>
Revenue:		
Local Sources:		
Local Tax	\$ 180,335	\$ -
Other	16,312	325,046
State Sources	6,853	-
Total Revenue	<u>203,500</u>	<u>325,046</u>
Expenditures:		
Governmental Activities:		
Instruction:		
Regular Instruction	162,448	-
Other Instruction	-	313,373
Support Services:		
Instructional Staff Services	-	-
Operation and Maintenance	-	-
Transportation Services	-	-
Other Expenditures:		
Facilities Acquisition and Construction	-	-
Total Expenditures	<u>162,448</u>	<u>313,373</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>41,052</u>	<u>11,673</u>
Other Financing Sources (Uses):		
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	41,052	11,673
Fund Balances - Beginning of Year	<u>158,526</u>	<u>193,980</u>
Fund Balances - End of Year	<u>\$ 199,578</u>	<u>\$ 205,653</u>



**Schedule 2**

<b>Capital Projects</b>		
<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total Governmental Funds</b>
\$ 1,087,912	\$ 619,305	\$ 1,887,552
4,188	2,550	348,096
-	18,528	25,381
1,092,100	640,383	2,261,029
7,246	6,019	175,713
14,915	-	328,288
-	241,278	241,278
98,381	-	98,381
111,745	-	111,745
237,534	-	237,534
469,821	247,297	1,192,939
622,279	393,086	1,068,090
(100,000)	(262,810)	(362,810)
(100,000)	(262,810)	(362,810)
522,279	130,276	705,280
132,140	258,808	743,454
\$ 654,419	\$ 389,084	\$ 1,448,734

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2016**

				<b>Schedule 3</b>	
	<b>Balance</b>			<b>Balance</b>	
	<b>June 30,</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>June 30,</b>	
	<b>2015</b>			<b>2016</b>	
<b>Activity</b>					
F.F.A.	\$ 14,409	\$ 39,709	\$ 39,195	\$ 14,923	
Vocal Music	18,304	12,294	15,058	15,540	
Instrumental Music	6,820	64,629	40,220	31,229	
National Honor Society	639	268	644	263	
Dance Team	10,808	2,929	5,434	8,303	
Student Council	6,456	3,130	3,322	6,264	
Spanish Club	356	2	-	358	
Drama	4,521	4,818	7,618	1,721	
Speech	932	223	1,154	1	
Middle School Vocal Music	116	1,128	1,072	172	
Middle School Music	12,892	27,098	22,460	17,530	
Athletics	92,004	138,347	149,710	80,641	
Special Education Olympics	801	521	1,322	-	
Middle School Annual	3,443	2,736	2,478	3,701	
8th Grade	622	3	74	551	
Music Trailer Account	296	2	-	298	
Donations	3,871	1,830	-	5,701	
Birthday Book Club	666	3,330	3,377	619	
Annual	7,771	6,293	7,176	6,888	
Robotics	2,482	1,248	2,842	888	
General Activity	-	4,907	385	4,522	
Senior Class	5,771	-	4,033	1,738	
Junior Class	-	9,098	5,799	3,299	
Math Club	-	503	-	503	
<b>Total for Activity Funds</b>	<b>\$ 193,980</b>	<b>\$ 325,046</b>	<b>\$ 313,373</b>	<b>\$ 205,653</b>	

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE TEN YEARS ENDED JUNE 30, 2016**

	<b>Modified Accrual Basis of Accounting</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Revenues:</b>				
Local Sources:				
Local Tax	\$ 7,733,765	\$ 7,160,744	\$ 6,520,576	\$ 6,908,814
Tuition	625,354	508,579	455,208	496,445
Other	576,733	513,536	575,298	556,231
State Sources	7,483,939	6,995,374	6,044,036	5,470,237
Federal Sources	396,636	439,089	381,301	338,825
Total	<u>16,816,427</u>	<u>15,617,322</u>	<u>13,976,419</u>	<u>13,770,552</u>
<b>Expenditures:</b>				
Instruction:				
Regular	6,187,949	5,888,341	5,205,563	4,842,046
Special	2,759,061	2,545,849	2,441,927	2,333,652
Other	1,038,159	964,147	941,791	891,563
Support Services:				
Student	267,925	269,219	270,146	244,588
Instructional Staff	718,220	804,905	513,433	497,095
Administration	976,697	967,991	943,276	963,221
Operation and maintenance of plant	903,065	882,531	898,473	849,059
Transportation	534,277	548,922	577,383	567,864
Other Expenditures:				
Facilities Acquisition	347,838	6,661,659	3,960,287	328,379
Long-term debt:				
Principal	925,000	840,000	1,140,000	1,155,000
Interest and other charges	743,664	822,033	588,831	436,895
AEA Flowthrough	567,590	540,169	490,906	459,315
Total	<u>\$ 15,969,445</u>	<u>\$ 21,735,766</u>	<u>\$ 17,972,016</u>	<u>\$ 13,568,677</u>

## Schedule 4

Modified Accrual Basis of Accounting					
2012	2011	2010	2009	2008	2007
\$ 6,472,685	\$ 6,110,547	\$ 5,975,968	\$ 5,142,010	\$ 4,471,376	\$ 4,441,159
508,405	489,314	339,164	374,112	329,720	334,630
521,402	477,433	546,991	479,248	446,410	466,366
5,264,893	4,921,836	4,350,334	5,178,985	4,832,906	4,477,436
461,488	614,691	903,270	431,395	317,849	249,547
13,228,873	12,613,821	12,115,727	11,605,750	10,398,261	9,969,138
4,404,720	4,179,915	4,114,531	4,068,133	3,875,852	3,721,225
1,432,488	1,315,488	1,221,436	1,173,420	1,267,177	1,321,988
1,568,683	1,613,900	1,611,849	1,388,113	1,285,838	1,243,699
262,567	299,506	294,734	295,399	253,656	255,493
576,091	521,166	444,192	320,927	360,410	340,069
920,921	887,857	894,122	890,843	910,301	876,365
885,673	792,490	761,533	678,811	653,808	649,268
490,368	430,747	518,614	366,319	336,965	428,413
365,424	994,905	8,089,766	1,630,413	372,851	1,974,601
1,120,000	3,465,000	2,611,420	909,036	878,036	834,036
458,525	581,807	568,270	248,230	285,064	266,166
440,446	465,672	458,122	414,317	379,417	358,613
\$ 12,925,906	\$ 15,548,453	\$ 21,588,589	\$ 12,383,961	\$ 10,859,375	\$ 12,269,936

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2016**

**Schedule 5**

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**Part I: Summary of the Independent Auditor's Results**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

**No matters were reported.**

**There were no prior year audit findings.**

**MATERIAL WEAKNESS:**

**2016-001 Financial Reporting**

Condition and Criteria – During the audit, we identified material amount of accounts payable, capital assets and receivables that were not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Effect – Because the current accounting procedures did not identify these certain payables, receivables and capital related assets, the financial statements are susceptible to increased risk of errors and omissions.

Cause – Procedures for identifying and recording certain financial statement transactions are inadequate.

Recommendation – The District should implement procedures to ensure all payables, receivables and capital assets are properly identified and included in the District's financial statements.

Views of Responsible Officials – We will review the noted activity in the future to avoid missing any payables, receivables, capital asset or pension related transactions.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings**  
**For the Year Ended June 30, 2016**

**Schedule 5 (Continued)**

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**Part III: Other Findings Related to Statutory Reporting:**

- III-A-16      Certified Budget – Expenditures for the year ended June 30, 2016 exceeded the certified budget amounts in the instruction function.
- Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion – Response accepted.
- III-B-16      Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- III-C-16      Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- III-D-16      Business Transactions – No business transactions between the District and District officials or employees were noted.
- III-E-16      Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-16      Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- III-G-16      Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- III-H-16      Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- III-I-16      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- III-J-16      Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.
- III-K-16      Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings**  
**For the Year Ended June 30, 2016**

**Schedule 5 (Continued)**

**Part III: Other Findings Related to Statutory Reporting (Continued):**

III-L-16      Statewide Sales and Services Tax – No instances of non-compliance with the allowable use of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$ 132,140
Revenues:		
Sales tax revenues	\$ 1,087,912	
Other local revenues	<u>4,188</u>	<u>1,092,100</u>
		1,224,240
Expenditures:		
School infrastructure construction	237,534	
Equipment purchased	133,906	
Other	98,381	
Transfers to Debt Service fund	<u>100,000</u>	<u>569,821</u>
Ending Balance		<u>\$ 654,419</u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

III-M-16      Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All accounts reported in the Special Revenue, Student Activity Fund appear to be extracurricular or co-curricular in nature.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
Sioux Center Community School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the SIOUX CENTER COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Sioux Center Community School District's basic financial statements, and have issued our report thereon dated February 16, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sioux Center Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sioux Center Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sioux Center Community School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2016-001 that we consider to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sioux Center Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.



Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### **Sioux Center Community School District's Response to Findings**

The Sioux Center Community School District's response to findings identified in our audit is described in the accompanying Schedule of Findings. Sioux Center Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
February 16, 2017